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ABSTRACT

The National Association of Counties (NACo) conducted a mail survey of service delivery areas (SDAs) to disprove allegations that 40 percent of them had not been audited since the start of the Job Training Partnership Act (JTPA) in 1983. A questionnaire was developed and mailed to every third SDA on a list of all SDAs. Of 244 SDAs, 235 or 96 percent responded. All responding SDAs indicated they had been audited. Nearly all (92 percent) had been audited within the past 24 months. Eighty-nine percent indicated they were audited once each year; 91 percent indicated they were subject to the Single Audit Act. Data showed that 54 percent of the SDAs subject to a single audit were part of a larger city-, county-, or statewide audit, which could indicate that in a single audit procedure, SDAs that were part of larger audits would be "rolled into" the larger audit and be reported as part of the larger audit. Data also suggested that when an SDA had greater control over its audit, the scope of the audit was likely to be more inclusive than when the audit was part of one for larger governmental units. More than half of all SDAs that were subject to A-110 audits seemed inclined to ensure that their SDAs were also in conformance with the Single Audit Act. (The survey instrument is attached.) (YLB)

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AUDITING JTPA

A REPORT ON NACO'S SURVEY OF JOB TRAINING PARTNERSHIP ACT PROGRAMS TO DETERMINE THE EXTENT TO WHICH LOCAL JOB TRAINING PROGRAMS ARE BEING AUDITED

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AUDITING JTPA

INTRODUCTION

From 1983 to 1988, the Job Training Partnership Act received widespread support from Congress, the Administration and media. Since then, the program has come under increased scrutiny and attack.

During its first five years, JTPA was lauded as the program that was uniquely qualified to meet the needs of economically disadvantaged persons seeking to make the transition from economic dependence to economic self-sufficiency. The public/private partnership between government and the private sector which JTPA established was just one of the many aspects of the program which supporters and critics, alike, praised.

During the past two years, however, many groups in and out of government have urged programmatic changes to JTPA. For example, some have argued that the program needs to be restructured to insure that: services are targeted to those most in need of job training and placement assistance; services are appropriate to the needs of JTPA clients; individuals are trained to insure longterm employability and income gains; and procurement procedures are tightened up to insure fiscal integrity of the program. These issues have been raised by Congress, the Office of Management and Budget (OMB), and the Office of Inspector General (OIG), among others. And efforts to answer those questions have led to increased Department of Labor (DOL) programmatic and fiscal reviews. It is the fiscal integrity of JTPA — especially with regard to auditing practices — that is the focus of this report.

BACKGROUND

On December 5, 1989, Senator John Glenn (D-OH), chairman of the Senate Committee on Governmental Affairs, released a list of programs identified for the Congress by OMB as being at high risk for fraud and abuse. That list cited 73 specific programs in which hundreds of billions of federal dollars were believed to be at risk. Among those cited were:

- the Internal Revenue Service, which has failed to collect $63 billion in delinquent taxes;
- the Department of Defense's $103 billion supply operations; and
- a shortfall in Social Security Administration employee earnings records of $58.5 billion.

The list, based upon information supplied by the US Department of Labor (DOL) to OMB, included the allegation that:

> programs operated under the Job Training Partnership Act were considered at risk for fraud and abuse because of the overall failure of the program to meet the requirements of the Single Audit Act.

The committee report stated:

> Audit coverage under JTPA is not in compliance with the requirements of the Single Audit Act. The adequacy of this audit coverage in providing reasonable assurance that State internal controls are properly in place needs to be assessed. In the 42 States where compliance reviews have been conducted, 14 States have not issued a State-level audit report and *40 percent of the service delivery areas and 30 percent of the subrecipient programs have not had an audit report issued since the start of JTPA in 1983*. Whether the scope of coverage under the Single Audit Act is adequate to provide reasonable assurance of internal controls also needs to be assessed, since this coverage does not require specific financial audits of DOL programs or funds. A full analysis of deficiencies and remedies should be developed, including an explanation of how the Administration's proposed JTPA amendments would address this problem.

Could it be that 40 percent of all service delivery areas (SDAs) have not had an audit report issued since the start of JTPA in 1983? Could it be that, by implication, 40 percent of all SDAs have not been

audited since 1983? Could it be that nearly half of the $21.5 billion that has been alloted to the states since JTPA was implemented has not been accounted for?

The National Association of Counties' concluded that it was not possible that billions of dollars were wasted and that SDAs chose not to report their activities. In order to determine the accuracy of these allegations, the National Association of Counties (NACo) developed a "Survey on JTPA Audits" to determine the extent to which local Job Training Partnership Act programs have been audited. It was NACo's assumption that local JTPA programs were audited under the provisions of either the Single Audit Act, commonly known as an A-128 audit, or guidelines for private not for profit organizations receiving federal funds, an A-110 audit. It was also NACo's assumption that every SDA within the JTPA system has been audited within the last 24 months.

The Study

In order to obtain information from a large number of local programs, the decision was made to conduct a mail survey of a randomly selected group of SDAs. A questionnaire (see "Attachment") was developed. It was designed to gather information on a wide range of issues, including:

- the year of the most recent audit report;
- whether the SDA is subject to an A-128 or A-110 audit;
- the scope of the audit;
- whether a final audit report was issued;
- the types of monitoring which are included in the audit; and
- whether the SDA has been or will be subject to audits by the Office of Inspector General (OIG).

The questionnaire was mailed to 244 SDAs on February 21, 1990. SDAs which did not respond to the survey by March 7, 1990, were sent a reminder letter that asked them to complete the questionnaire and return it to NACo as soon as possible. Those which did not respond to this request were contacted by phone, and when possible, interviews were conducted at that time.

A standard formula for determining the size, i.e. the number of SDAs to include in the survey, was used. It was determined that 244 SDAs would have to be surveyed to insure, with 90 percent certainty, that the results of the survey would be representative of all SDAs within the JTPA system. A list of all SDAs was compiled and a randomly determined starting point was chosen for the selection of those SDAs included in the survey. To obtain the necessary number of SDAs for the sample, every third SDA was chosen from the start point in the list. This procedure insured that each SDA within the "universe of SDAs" had an equal chance of being selected.

Completed questionnaires were reviewed by staff and data were entered into a computer file. The data were analyzed utilizing simple frequency counts and two way crosstables.

NACo was concerned deeply that the sample be "representative" and that the return rate be sufficiently large so that we could generalize the findings to the entire JTPA system. NACo had hoped to achieve a response rate in excess of 85 percent. To our pleasure, 235 or 96 percent of the SDAs in our sample responded, a response rate which permitted us to generalize our findings to all SDAs.

The findings support our basic assertion that all SDAs have been audited subject to the provisions of A-128 and A-110 audits; that most SDAs have been audited within the past 24 months; and that if there is a problem with JTPA audits, the problem lies with the Single Audit Act, and not with the JTPA programs being audited through this procedure.

Findings

Ninety-six percent of the SDAs (235) in NACo's sample of 244 SDAs responded to the survey.

- All responding SDAs indicated that they have been audited.
- Nearly all — 92 percent — indicated that they were last audited in 1988 or 1989.
- Eighty-nine percent indicated that they are audited once each year.

- Ninety-one percent indicated that they were subject to the Single Audit Act (OMB Circular A-128).

In addition, more than two-thirds (69 percent) indicated that procedures to monitor administrative management activities and subcontractors were included in their audits, and conducted by their auditors.

Of those SDAs that indicated that they have procedures in place to monitor administrative management activities and subcontractors in conjunction with their audits:

- 75 percent indicated that they monitor, as part of their audits, fraud and abuse;
- 71 percent monitor grievance procedures;
- 69 percent monitor affirmative action activities;
- 58 percent monitor fixed unit price performance-based contracts;
- 60 percent monitor service provider procurement procedures;
- 74 percent monitor eligibility determination and verification;
- 61 percent monitor data validation;
- 75 percent monitor summer youth employment and training program systems, policies and procedures;
- 69 percent monitor youth employment competency systems;
- 74 percent monitor relationships between services provided and plan; and
- 67 percent monitor dislocated worker activities.

Some of the SDAs monitor these activities voluntarily, while others monitor these activities because their states require them to do so. While SDAs which are subject to A-110 audits are more likely to perform these monitoring functions, the differences are not always statistically significant. For example, whereas 76 percent of SDAs subject to an A-110 audit monitor fraud and abuse and eligibility determination and verification, 67 percent of those subject to an A-128 audit monitor those activities. Whereas 64 and 60 percent of those subject to an A-110 audit monitor fixed unit price performance-based contracting procedures and service provider procurement procedures, respectively, 53 and 55 percent of those subject to an A-128 audit do the same.

Of those SDAs which indicated that they are subject to a single audit, 54 percent stated that they are included in audits of larger governmental units. Specifically, 28 or 16 percent of all respondent SDAs subject to an A-128 audit stated that they were part of a larger citywide audit, 59 or 34 percent stated they were part of a larger countywide audit, and seven or four percent were included in a statewide audit. Of the remaining SDAs, 79 or 46 percent stated that they were subject to a "stand alone" audit, that is, they were audited independently of any larger governmental unit.

Fifty (23 percent) of the SDAs subject to a single audit responded affirmatively when asked if they peformed an independent audit. Interestingly, most of those who responded yes to peforming an independent audit — 32 or 64 percent — stated that they were part of a stand alone single audit. Similarly, most of those who indicated that they include additional monitoring activities in their audits stated that they were part of a stand alone single audit or A-110 audit. Can it be SDAs which are subject to an A-110 audit or a stand alone A-128 audit are more likely to have an audit which informs them about their program and the effectiveness of the various activities in which the SDA is involved? Certainly, both sets of data suggest that when an SDA has greater control over their audit the scope of the audit is likely to be more inclusive than when the audit is part of one for larger governmental units. Of substantial interest was the finding that more than half of all SDAs which are subjet to A-110 audits seem inclined to insure that their SDAs are also in conformance with the Single Audit Act. Of the 25 SDAs that are subject to A-110 audits, 14 or 56 percent indicated that they perform A-128 type audits to insure that their programs are in compliance with the requirements of the Single Audit Act.

Conclusions

Data gathered by NACo's Training and Employment Programs conclusively demonstrate that every service delivery area within the JTPA system has been audited.

One-hundred percent of those SDAs which responded to the survey indicated that they have been audited; 92 percent indicated that they were

audited within the last two years; and 91 percent indicated that they are subject to the Single Audit Act.

Because the evidence is so conclusive, we must question the validity of the US Department of Labor's claim that "40 percent of the service delivery areas . . . have not had an audit report issued since the start of JTPA in 1983." We must ask, were the compliance reviews which "uncovered" this information conducted properly, and if so, did DOL discover a problem which has more to do with the Single Audit Act than it does with the fact of local programs being audited? While Senator Glenn's committee report does raise the latter question, the report seems to place the blame for many of the "problems" associated with local audits at the feet of the local programs.

Data from this study indicate that 54 percent of the SDAs subject to a single audit are part of a larger city-, county-, or statewide audit. Can it be that some of these are the same SDAs about which the Department of Labor is concerned? In a single audit procedure, SDAs which are part of larger audits will be "rolled into" the larger audit, and be reported as part of the larger audit. A separate report may not be issued, though a well done single audit will uncover program specific fiscal problems, identify those problems and identify the agency or governmental unit which should take corrective actions.

If, ultimately, the Department of Labor, the Office of Management and Budget and the Congress come to agree that reform of the Single Audit Act is necessary, especially with regard to JTPA, there does appear to be merit to the position that SDAs should be subject either to stand alone A-128 or independent A-110 audits. These audits, as we have seen, tend to be more comprehensive. They focus on a wide range of programmatic issues other than finances: fraud and abuse, grievance procedures, affirmative action, fixed unit price performance-based contracts, service provider procurement procedures, and data validation, among others. The result is that substantially more is learned about the SDA through the audit procedure.

The National Association of Counties believes that the US Department of Labor, the Office of Management and Budget and the Senate Committee on Governmental Affairs have done a substantial disservice to the nation's job training system. Our data document that local job training programs have been audited. Therefore, responsibility for the audit problems identified does not lie with local job training programs or with the JTPA system as a whole. However, there can be no question that if DOL cannot identify those audit findings which pertain to local job training programs then something must be done. The National Association of Counties believes that it is now the responsibility of DOL, OMB and the Senate Governmental Affairs Committee to determine what the real problem is and to place responsibility for that problem where it really belongs; not at the feet of JTPA.

AUDITING JTPA

Attachment

February 21, 1990

Dear JTPA Administrator:

On December 5, 1989, Senator John Glenn (D-OH) released a list of 73 federal programs which are considered at risk. This list, developed by the Office of Management and Budget (OMB), included programs considered vulnerable to fraud, waste and abuse. Hundreds of billions of dollars are considered at risk.

The Job Training Partnership Act (JTPA) program was among those considered to be "HIGH RISK." While accounting for a relatively small proportion of the total funds considered at risk — the IRS has failed to collect $63 billion in delinquent taxes and substantial weaknesses in the Defense Department's $103 billion supply operation were cited — JTPA again was identified as a program at which Congress should take a careful look.

Specifically, OMB alleges that:

> Audit coverage under the Job Training Partnership Act (JTPA) is not in compliance with the requirements of the Single Audit Act. The adequacy of this audit coverage in providing reasonable assurance that State internal controls are properly in place needs to be assessed. In the 42 States where compliance reviews have been conducted, 14 States have not issued a State-level audit report and 40 percent of the service delivery areas and 30 percent of the subrecipient programs have not had an audit report issued since the start of JTPA in 1983.

We at the National Association of Counties (NACo) and the National Association of County Training and Employment Professionals (NACTEP) want to learn more about the ways in which service delivery areas are audited. We have developed a brief questionnaire for you to complete and return to us. Please complete this questionnaire and return to us by March 7. Your answers will be kept confidential. At no time will we report what you or any other administrator said. Rather we will aggragate the responses of all 245 administrators, analyze it, and present our findings to Congress and the Administration. It is important that you complete this questionnaire and return it to us by March 7 so that we can respond adequately to these allegations.

On the following page you will find more detailed information about how you were selected to participate in this survey and certain confidentiality issues which we feel are of great importance to you and us. If you have any questions about the survey please call Neil Bomberg of the NACo staff at 202/393- 6226.

Sincerely yours,

Jerald T. McNeil, Director
NACo Training and
Employment Programs

Clyde McQueen, President
National Association of County
Training and Employment Professionals, and
President, Full Employment Council,
Kansas City, Missouri

SURVEY ON JTPA AUDITS

The purpose of this survey is to gather information on the variety and number of audit types used to evaluate the fiscal management procedures of local job training programs. Yours and 244 other service delivery areas were selected to participate in this survey through a procedure known as a "systematic sample."

The answers which you will provide to NACo and NACTEP will be kept strictly confidential. No one, other than NACo staff working on this survey, will have access to your specific answers. Only aggragate data will be made available to the JTPA community, the Congress, the Administration or any other interested party. No individual respondent or service delivery area will ever be identified. After we have tabulated the results of this survey, all returned questionnaires will be destroyed.

The number that appears at the top of the survey instrument helps us keep track of who has responded and who has not. Upon receipt of your questionnaire a notation will be made that your questionnare has been returned. The identifying number will be removed so that no one will ever be able to link your answers to you or your SDA. If we do not receive your questionnaire within two weeks of this mailing we will follow-up with a reminder post card asking you to complete the questionnaire immediately.

We need your help in this effort. The only way we can have the facts about local program audits is if you answer this brief questionnaire. But be assured that all of the information will be kept in strictest confidence, that no permanent record showing your answers will ever be created, and that all records will be destroyed after we have been able to tabulate the answers from this survey.

If I can answer any questions you might have about this questionnaire and what it means for your service delivery area, please call me on 202/393-6226.

Thank you for your cooperation.

Neil E. Bomberg
NACo research associate

What follows is a series of questions on the types and frequency of audits performed within your service delivery area. Please answer each question which applies to your service delivery area. Where a series of choices are given, circle the number that corresponds to the answer that is appropriate for your service delivery area.

Please complete and return this questionnaire to:

Neil E. Bomberg, Research Associate
National Association of Counties
440 First Street, NW
Washington, DC 20001

1. For which program year was the most recent audit of your service delivery area performed?

Program year for which last audit was done: _____ 14-15/00

2. How often is your service delivery area audited?

Once a year 1
Once every other year 2

Other (specify: _____) . 3 16/4

3. Are you subject to an audit pursuant to the Single Audit Act (OMB Circular A-128)?

Yes (Continue with Question 3A) . . 1
No (Skip to Question 4) 2 17/3

3A. During the past year has your agency been audited persuant to the Single Audit Act (OMB Circular A-128)?

Yes . . . 1
No . . . 2 18/3

3B. Is your "single audit" part of a city, county or statewide audit, a stand alone audit or something else?

Part of a city audit 1
Part of a county audit 2
Part of a statewide audit 3
A stand alone audit 4

Something else (Specify: _____) . 5 19-20/99

3C. In addition to the "single audit" do you also hire a firm to perform an independent audit of your service delivery area?

Yes (Continue with Question 3D) . . 1
No (Skip to Question 6) 2 21/3

3D. Specifically, what type of independent audit is performed?

Type of audit: _____ 22-23/00

3E. In what year was the most recent independent audit of your service delivery area performed?

Year of last independent audit: 19____ 24-25/00

3F. How often do you contract with an independent audit firm to perform an audit of your service delivery area?

Once a year 1
Once every other year 2

Other (Specify: _____) . 3 26/9

3G. Does your audit include a review of your management practices?

Yes (Skip to Question 6) 1
No (Skip to Question 6) 2 30/3

4. Are you subject to an audit persuant to OMB Circular A-110, audits for not for profit organizations?

Yes (Continue with Question 4A) . . 1
No (Skip to Question 5) 2 31/3

4A. During the past year has your agency been audited persuant to an OMB Circular A-110 audit?

Yes . . . 1
No . . . 2 32/3

4B. How often do you contract with an independent audit firm to perform an A-110 audit of your service delivery area?

Once a year 1
Once every other year 2

Other (Specify: _____) . 3 33/9

4C. Does your audit include a review of your management practices?

Yes (Skip to Question 6) 1
No (Skip to Question 6) 2 34/3

4D. In addition to the A-110 audit, do you also hire a firm to perform an independent audit to insure that your SDA is in compliance with the requirements of an A-128 single audit?

Yes (Continue with Question 4E) . . 1
No (Skip to Question 6) 2 35/3

4E. In what year was the most recent A-128-type independent audit of your service delivery area performed?

Year of last independent audit: 19____ 36-37/00

4F. How often do you contract with an independent audit firm to perform an A-128-type audit of your service delivery area?

Once a year 1
Once every other year 2

Other (Specify: _____) . 3 40/3

5. If your SDA is not audited through a A-110 or A-128 audit, what type of audit do you receive?

Describe: _____ 41-42/00

6. Do you have procedures in place for monitoring your administrative management activities and subcontractors?

Yes, to monitor administrative management procedures (Continue with Q. 6A) . . 1
Yes, to monitor subcontractors (Continue with Q. 6A) 2
Yes, to monitor administrative management procedures and subcontractors (Continue with Q. 6A) 3
No (Skip to Question 7) 4 43/5

6A. Do you utilize in-house staff or contract with an outside firm to perform your monitoring activities?

Utilize in-house staff, only 1
Utilize an outside firm, only 2
Utilize both in-house staff and an outside firm 3 44/4

6B. Is a written report issued on the monitoring activities?

Yes (Continue with Question 6B1.) . . 1
No (Skip to Question 6C) 2 45/3

6B1. How often is the report issued?

Once a month 1
Once a quarter 2
Once every six months 3
Once a year 4

Other (Specify: _____) . 5 46/8

6C. Of the following activities, which does your SDA monitor?

	Yes	Yes, because it is required by the state	No	
1. Fraud and abuse	1	2	3	47/4
2. Grievance procedures	1	2	3	48/4
3. Affirmative action/equal employment op.	1	2	3	49/4
4. Fixed unit price performance based contracts	1	2	3	50/4
5. Service provider procurement procedures	1	2	3	51/4
6. Eligibility determination and verification	1	2	3	52/4
7. Data validation (follow-up data collection)	1	2	3	53/4
8. Summer Youth Employment and Training Program systems, policies and procedures	1	2	3	54/4
9. Youth Employment Competency systems	1	2	3	55/4
10. Relationship between services provided and plan	1	2	3	56/4
11. Title III (EDWAAA)	1	2	3	57/4
12. Other (Specify: _____)	1	2	3	58/4

7. Have you been audited or will you be audited by the Office of Inpsector General (OIG) of the US Department of Labor?

Have been audited (Continue with Q. 7A-B) . . . 1
Will be audited (Continue with Q. 7C) 2
Have not been audited (Skip to end) 3 59/4

7A. Have you been part of the OIG's contracts audit?

Yes 1
No 2 60/3

7B. Have you been part of the OIG's eligibility audit?

Yes 1
No 2 61/3

7C. Were you selected to participate in the OIG's single audit survey?

Yes 1
No 2 62/4

Thank you very much for taking the time to complete this questionnaire. The information you have provided us will be useful as we continue to represent your best interests before the Administration and Congress. A final report will be forwarded to you upon its completion.